

STATE OF WISCONSIN
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF MANAGEMENT SERVICES
BUREAU OF FISCAL SERVICES

ACCOUNTING POLICY

TOPIC: Federal Funds 3.0	EFFECTIVE DATE: 5/3/83
TITLE: Definition of Administrative Costs for Block Grants	REVISION DATE: 10/31/92
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BACKGROUND

Administrative costs, within specified limits, are allowable costs for block grants. Federal block grant regulations allow states to establish their own definitions of administrative costs.

The DHSS Administrative Cost Workgroup developed the following definition of Block Grant Administrative Costs for use within the Department:

"Administrative costs are those state costs that cannot be identified with any single program (block) but are indispensable to the conduct of agency activities and to the organization's survival. They include the overall directing of the organization, record keeping, business management, budgeting and related activities. If individuals spend a portion of their time directly supervising program services, their salaries and expenses may be prorated between program and administration. Administrative costs in the Department of Health and Social Services commonly include administrative overhead allocation, internal accounting and information system charges, budgeting and other charges on expenditures generated from the operations and management units of the operating division. Expenditures of a program bureau will not be considered administration, except, if specific administrative functions, as identified above, are assigned to the program bureau (accounting, budgeting, etc.)."

An administrative decision may be made to reduce, or eliminate, a claim for administrative costs if available funds are not adequate to cover all program and administrative costs.

POLICY

Subject to administrative decision which may limit the amount to be applied, the Administrative Cost Workgroup's definition will be used as the basis for determination of block grant administrative costs in accordance with specific guidelines for each grant.

PROCEDURES

1. Indirect costs will be computed in accordance with the latest approved, or provisional, plan.

2. Established cost allocation systems (i.e., BFS Work Reporting System, OIS Billing System, Personnel Billing System or Department Cost Allocation Plan) will provide the detail for allocating charges whenever possible.
3. Other defined costs will be allocated on the basis of the best available information.

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